American Stores paces ad productivity

By R. CRAIG ENDICOTT

American Stores dominated top national advertisers in ad productivity growth in the third quarter of 1988, according to an ADVERTISING AGE study.

The retail food company's purchase of Lucky Stores last October nearly doubled its fiscal third-quarter ad outlay in real terms, compared with the same period in 1987, while contributing heavily to a sales figure of $4.94 billion, up 42.3%.

In the purchase, American Stores also added Eagle Supermarkets, Food Basket Food Stores, Kash 'N Karry Food Centers and Sirloin Stockade Restaurants.

Ad productivity, a critical measurement in determining the effectiveness of a marketing strategy, is derived from U.S. revenues generated by $1 of advertising. Final contenders for the top spot not only must record ad productivity growth but year-to-year gains in measured-media advertising and U.S. sales.

The survey culled an elite list of 100 advertisers from AD AGE's ranking of the 200 leading national advertisers of 1987 published in 1988.

Increases in third-quarter advertising and U.S. sales placed Hewlett-Packard Co. atop the list of contenders in both categories, but H-P's ad productivity growth was only 8.6% over its prior-year period. Both advertising and sales growth included incremental increases across the H-P product line.

Greyhound Corp. continued to perform well in ad productivity growth as it claimed the No. 1 spot in the second quarter of 1988 and a second-place finish in the third quarter.

AD AGE previously had crowned Greyhound the first quarter 1988 winner (AA, August 22, 1988).

Greyhound recorded a 28.5% growth in ad productivity in the second quarter and 36.9% in the third.

In the second quarter, Greyhound emerged the victor from a field of 21 contenders.

Greyhound's ad productivity growth was largely sales driven as the company's estimated U.S. sales increased 39.2% to $853.5 million while measured advertising grew a modest 8.3% to $11.9 million.

Greyhound reduced second quarter advertising for Dial soap, the company's largest advertised brand, to support new product extensions, Dial Liquid soap and Dial deodorant. Ad expenditures for Tone soap increased as those for Pure & Natural soap declined.

Also Greyhound began to support heavily its consumer food unit's Lunch Bucket microwave meals and Premier Cruises.

Seagram Co., fifth place finisher with ad productivity growth of 20.4% for the quarter, reported the largest gains in both advertising and sales among the finalists—19.2% and 43.5%—respectively.

Seagram's ad gain largely came from increased support of its various whiskies: Chivas Regal and Glenlivet scotch whiskies, Seagram 7 Crown whisky and Seagram Crown Royal whisky.

On the sales side, Seagram drew heavily from its acquisition of Tropicana Products from Beatrice Cos. The April '88 acquisition meant Tropicana returns were folded only into current-year totals.

Seagram showed $6.8 million in quarterly spending for Tropicana products, slightly below pre-acquisition quarterly totals.

The strength of advertisers finishing high in the ad productivity rankings rests on their ability to increase quarterly ad expenditures as measured by Broadcast Advertisers Reports/Leading National Advertisers and Radio Expenditure Reports, and also boost sales.

For example, Greyhound sales were stimulated by the acquisitions in late 1987 of Dobbs International Services, an in-flight catering company and operator of Dobbs House airport concessions, and U.S. Borax & Chemical Corp.

Among 18 categories comprising the 100 companies, three showed growth in the three measurements in the third quarter. Retail, a composite of 11 companies, was the winning category. Chemicals, comprising five companies, took honors in the second quarter. #

AMERICAN STORES GRABS 3RD QUARTER

In revenues per $1 advertising growth

Rank	Advertiser	3rd qtr. U.S. sales/$1 advertising % chg	1988	1987	3rd qtr. ad spending 1988	1987	U.S. 3rd qtr. sales 1988	1987
1	American Stores Co.	38.1%	$169.76	$122.92	$29	$28	$4,942	$3,473
2	Greyhound Corp.	36.9%	71.49	52.20	12	12	857	624
3	American Home Products Co.	20.8%	18.81	15.58	53	50	991	772
4	US Sprint Communications	13.2%	75.15	66.40	12	11	916	707
5	Tandy Corp.	11.7%	48.20	43.16	17	17	806	721
6	Hewlett-Packard Co.	8.6%	620.34	571.18	3	2	1,696	1,231
7	Warner Communications	7.6%	34.52	32.08	24	20	812	651
8	Walt Disney Co.	6.0%	23.11	21.80	42	33	973	728
9	Eastman Kodak Co.	4.5%	44.68	42.77	68	56	3,021	2,389
10	Warner-Lambert Co.	3.9%	10.79	10.39	52	48	557	496

Note: Dollars are in millions except U.S. sales/$1 advertising, which is real dollars.

GREYHOUND CLAIMS 2ND QUARTER

In revenues per $1 advertising growth

Rank	Advertiser	2nd qtr. U.S. sales/$1 advertising % chg	1988	1987	2nd qtr. ad spending 1988	1987	U.S. 2nd qtr. sales 1988	1987
1	Greyhound Corp.	28.5%	$71.69	$55.78	$12	$11	$854	$613
2	Dow Chemical Co.	25.4%	59.43	47.39	32	32	1,900	1,500
3	Eastman Kodak Co.	23.6%	36.85	29.80	67	65	2,480	1,924
4	American Stores Co.	22.9%	151.15	122.99	30	29	4,549	3,540
5	Seagram Co.	20.4%	14.73	12.23	33	28	486	339
6	Whitman Corp.	16.1%	33.77	29.10	21	21	720	612
7	Sara Lee Corp.	11.9%	102.17	91.31	22	20	2,202	1,812
8	MCI Communications Corp.	11.9%	117.42	104.96	10	9	1,219	952
9	Sears, Roebuck & Co.	10.0%	136.09	123.71	95	95	12,983	11,719
10	Mobil Corp.	9.0%	423.16	388.11	16	15	6,965	6,013

Note: Dollars are in millions except U.S. sales/$1 advertising, which is real dollars.

CATEGORY SALES PER $1 IN ADVERTISING

For 100 leaders in 3rd quarter 1988 and 1987

Advertiser	U.S. sales/$1 advertising 1988	1987	$ chg	Ad spending 1988	1987	U.S. sales 1988	1987
Airlines	$120.87	$124.68	-3.1%	$86	$78	$10,380	$9,715
Automotive	114.06	142.62	-20.0%	345	262	39,307	37,349
Chemicals	184.10	202.50	-9.1%	85	74	15,646	15,083
Entertainment	35.50	38.89	-8.7%	162	149	5,755	5,803
Food	25.52	25.20	1.3%	941	888	24,009	22,379
Miscellaneous	170.69	197.06	-13.4%	122	96	20,766	19,007
Office equipment	315.67	251.51	25.5%	40	43	12,718	10,700
Pharmaceuticals	22.03	20.34	8.3%	277	271	6,100	5,505
Photography	46.55	46.91	-0.8%	70	57	3,281	2,656
Restaurants	22.30	25.70	-13.2%	151	126	3,371	3,242
Retail	128.78	116.54	10.5%	366	365	47,097	42,555
Soaps & cleaners	19.41	16.59	17.0%	271	280	5,267	4,645
Soft Drinks	17.54	17.76	-1.2%	215	196	3,778	3,473
Telephone	151.36	183.01	-17.3%	200	159	30,315	29,166
Tobacco	91.61	96.87	-5.4%	38	32	3,509	3,095
Toiletries	11.07	14.38	-23.0%	50	36	555	524
Toys	15.43	17.18	-10.2%	26	24	395	420
Wine, beer & liquor	18.03	20.23	-10.9%	205	173	3,704	3,494

In 2nd quarter 1988 and 1987

Advertiser	U.S. sales/$1 advertising 1988	1987	$ chg	Ad spending 1988	1987	U.S. sales 1988	1987
Airlines	$62.08	$77.28	6.2%	$120	$116	$9,861	$8,970
Automotive	113.66	110.62	2.7%	430	355	48,850	39,301
Chemicals	153.26	137.90	11.1%	110	108	16,934	14,858
Entertainment	40.91	44.09	-7.2%	154	128	6,287	5,638
Food	26.29	24.73	6.3%	934	901	24,554	22,278
Miscellaneous	176.90	148.73	18.9%	117	132	20,732	19,627
Office equipment	326.23	204.38	59.6%	38	55	12,506	11,276
Pharmaceuticals	19.09	18.35	4.1%	311	291	5,947	5,337
Photography	35.32	27.54	28.2%	78	79	2,751	2,170
Restaurants	25.83	23.54	9.7%	131	133	3,387	3,130
Retail	124.75	113.87	9.6%	367	358	45,757	40,819
Soaps & cleaners	20.44	20.88	-2.1%	254	229	5,195	4,773
Soft Drinks	19.20	17.58	9.3%	191	190	3,662	3,345
Telephone	165.41	159.56	3.7%	183	179	30,353	28,531
Tobacco	90.23	74.79	20.6%	39	40	3,563	3,010
Toiletries	9.29	12.07	-23.1%	59	40	544	484
Toys	9.86	10.47	-5.9%	31	30	310	317
Wine, beer & liquor	21.47	19.93	7.8%	171	169	3,669	3,364

Note: Dollars are in millions except U.S. sales/$1 advertising, which is real dollars.

NOTES AND METHODOLOGY

Currency: All dollars are in millions except revenues per $1 in ad spending which are in actual dollars.

Sources: Quarterly ad spending from Broadcast Advertisers Reports/Leading National Advertisers and Radio Expenditure Reports. Figures include magazine and newspaper spending from Publishers Information Bureau as reported by LNA; spot TV, network TV, cable TV networks and network radio spending as reported by BAR; outdoor spending as reported by LNA, and spot radio spending as reported by Radio Expenditure Reports. Revenues are for U.S. quarterly sales only and are AA estimates calculated by multiplying quarterly worldwide sales by the company's percentage of U.S. to worldwide revenues for the full preceding year. This procedure is followed because few public companies report quarter U.S. sales, although they do publish year-end U.S. geographic sales breakouts.

Methodology: 100 public companies are selected from AD AGE's 200 leading national advertisers of 1988. To reach the top 10 ranking, companies must have quarterly year-to-year increases in measured media ad spending, U.S. sales and U.S. sales per $1 ad spending. The final ranking is based on percentage year-to-year growth in U.S. sales per $1 ad spending for the quarter. Quarterly advertising figures are on calendar periods. Fiscal quarters most closely matching calendar quarters are used for sales figures. BAR/LNA prior-year figures are reported on a pro forma basis as 5 current-year brand acquisitions were owned in the previous year.

100 LEADERS' SALES/$1 ADVERTISING

In 3rd quarter 1988

Advertiser	Sales/$1 adv.
Hewlett-Packard Co.	620.34
Wal-Mart Stores	498.28
DuPont Co.	478.51
ITT Corp.	440.09
Mobil Corp.	414.85
GTE Corp.	394.21
Apple Computer Co.	365.27
Kroger Co.	336.48
BellSouth	314.33
IBM Corp.	293.01
General Electric Co.	279.63
Xerox Corp.	269.00
Winn Dixie Stores	213.81
Pacific Telesis Group	207.61
Ameritech	203.46
Delta Air Lines	193.44
Bell Atlantic Corp.	192.19
NWA Inc.	186.49
Borden Inc.	185.60
MCI Communications Corp.	183.56
American Stores Co.	169.76
SmithKline Beckman Corp.	157.62
Loews Corp.	148.30
Southwestern Bell Corp.	142.40
Capital Cities/ABC	140.77
Nynex Corp.	140.27
Sears, Roebuck & Co.	135.49
Chrysler Corp.	134.94
AMR Corp.	134.69
Ford Motor Co.	127.88
Monsanto Co.	127.21
Whirlpool Corp.	126.24
Trans World Airlines	121.69
K mart Corp.	115.55
J.C. Penney Co.	110.84
American Express Co.	108.00
General Motors Corp.	104.08
CBS Inc.	101.83
Dayton Hudson Corp.	95.89
Goodyear Tire & Rubber Co.	95.06
AT&T Co.	93.34
Texas Air Corp.	93.07
Polaroid Corp.	90.64
UAL Corp.	84.70
CPC International	78.81
Ralston Purina Co.	78.60
US Sprint Communications	75.15
Greyhound Corp.	71.49
Kimberly-Clark Corp.	69.18
Campbell Soup Co.	64.88
Sara Lee Corp.	61.24
Geo. A. Hormel & Co.	59.38
VF Corp.	54.38
American Cyanamid Co.	53.71
Dow Chemical Co.	51.56
A.H. Robins	49.24
Tandy Corp.	48.20
Whitman Corp.	46.96
Brown-Forman Co.	46.79
Pfizer Inc.	45.63
Eastman Kodak Co.	44.68
American Brands	43.21
Kraft Inc.	38.82
Gulf & Western	37.02
May Department Stores Co.	35.85
Warner Communications	34.52
Hershey Foods Corp.	32.36
RJR Nabisco	29.77
Mattel Corp.	28.25
MCA Inc.	27.53
Time Inc.	26.29
H.J. Heinz Co.	25.43
McDonalds Corp.	24.65
Walt Disney Co.	23.11
Pepsico Inc.	21.89
Bristol-Myers Co.	21.25
Gillette Co.	20.60
Philip Morris Cos.	20.34
Pillsbury Co.	19.87
American Home Products Co.	18.81
Jerrico Corp.	18.74
Johnson & Johnson	18.66
Procter & Gamble Co.	18.35
Anheuser-Busch Cos.	18.00
General Mills	16.22
Schering-Plough Corp.	15.74
Seagram Co.	15.48
Carter-Wallace	15.33
Adolph Coors Co.	14.29
Colgate-Palmolive Co.	14.22
Alberto-Culver Co.	13.96
Hasbro Inc.	12.73
Quaker Oats Co.	11.31
Clorox Co.	11.14
Wendy's International	11.13
Coca-Cola Co.	11.07
Warner-Lambert Co.	10.79
Kellogg Co.	6.52
Wrigley, Wm. Jr. Co.	4.52
Noxell Corp.	4.41

Note: U.S. sales/$1 advertising are in real dollars. See methodology for sources.

AA charts: Norma Green and Kevin Brown

Syndicates

(Continued from Page S-10)

away," says Mr. Salem.

"Most of their activity so far has been in the area of taking over already well-established syndicated talents. Anyone can see by the history of the Washington Post Writers Group that's not how we choose to make our living," says Mr. Leeds.

Mr. Newcombe responds that switching is healthy. "It forces the syndicates to stay on their toes, which is good for newspapers and their readers."

Willard Colston, chairman of Mr. Newcombe's former employer, the Los Angeles Times Syndicate, says there has been a general increase in artists changing syndicates.

Ms. Landers says talk of raiding talent is unfounded. "Everyone who has come to him has come to him because he [Mr. Newcomb] can give them a better deal," she says. "They like the idea of a short contract and their own name. It's very appealing to people who have been darn near indentured slaves.

"Rick's critics are speaking strictly out of jealousy and out of fear," she says, claiming that "they don't want a guy around in the business who offers these kinds of benefits."

Creators achieved first-year revenues close to its $2.5 million projection, says Mr. Newcombe. And the syndicate more than doubled that figure in its second year of operation.

In spite of the signs of success, Creators' long-term viability remains to be proven, says David Astor, associate editor of *Editor & Publisher*.

A syndicate receives a smaller percentage of revenue from an established talent such as Ms. Landers, says Mr. Astor. A critical issue is Creators' ability to sign emerging talent.

"They got a lot of major cartoonists and columnists and jumped into the top 10 immediately, but there's still a question of whether they can make enough revenue to survive," Mr. Astor says. "It's still not 100% guaranteed they'll survive, but I think the chances are very good." □

Top dailies inspire Sunday surge

Newspaper	Sunday circulation '88	Sunday circulation '87	% change	Weekday circulation '88	Weekday circulation '87	% change
1. New York Times	1,601.0	1,589.2	0.7%	1,038.8	1,022.8	1.5%
2. New York News	1,568.8	1,615.0	-2.8	1,281.7	1,285.8	-0.3
3. Los Angeles Times	1,394.9	1,384.8	0.7	1,116.3	1,113.4	0.3
4. Washington Post	1,112.3	1,096.7	1.4	769.3	761.1	1.0
5. Chicago Tribune	1,098.1	1,117.2	-1.7	715.6	765.3	-6.4
6. Philadelphia Inquirer	995.5	984.1	1.1	502.7	508.5	-1.1
7. Detroit News	828.1	837.5	-1.1	677.3	686.7	-1.3
8. Boston Globe	786.8	781.4	-0.7	509.0	502.5	1.3
9. San Francisco Chronicle	712.4	716.3†	-0.5	559.3	568.0	-1.5
10. Detroit Free Press	710.1	732.7	-3.0	629.0	649.3	-3.1
11. Newsday (Long Island, NY)	706.4	682.0	3.5	680.9	641.3	6.1
12. Newark Star-Ledger	665.1	673.8	-1.3	462.1	467.5	-1.1
13. Minneapolis-St. Paul Star & Tribune	644.9	629.8	2.4	400.9	389.4	2.9
14. Chicago Sun-Times	600.2	613.9	-2.2	579.2	604.8	-4.2
15. Cleveland Plain Dealer	565.6	560.5	0.9	444.8	447.0	-0.5
16. Houston Chronicle	561.6	534.7	5.0	420.3	406.7	3.3
17. St. Louis Post-Dispatch	546.3	547.4	-0.2	372.4	377.2	-1.2
18. Miami Herald	499.5	501.0	-0.3	401.4	398.6	0.7
19. Denver Rocky Mountain News	389.2	373.2	4.2	344.5	332.1	3.7
20. New York Post	no Sunday		—	550.4*	690.9	-20.3

†San Francisco Examiner & Chronicle

* change in publishing plan

(Audit Bureau of Circulations FAS-FAX in thousands for six months ending 9/30/88, 9/30/87)

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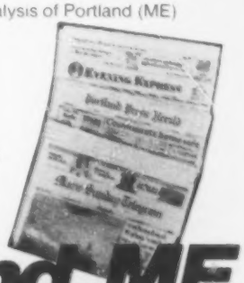

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[1] Six daily newspapers with a circulation of 200,000 or more. Source: The Scarborough Report, 1988. National Representative: Sawyer Ferguson Walker Co.
The Record and The News Tribune are owned by Macromedia, Inc.

Outside—looking covetously in

By Jill L. Sherer

In a field of about 1,650 daily newspapers in the U.S., with an estimated 840 publishing on Sunday, many of the "have nots" are carefully watching recent Sunday startups.

The *Washington Times, The* (Quincy, Mass.) *Patriot Ledger, The Bangor* (Maine) *Daily News* and *Schenectady* (N.Y.) *Gazette*, are the largest newspapers without a Sunday edition—with No. 1, the *New York Post*, just dropping off the list.

It's questionable whether or not the *New York Post* will be able to maintain a substantial piece of the advertising pie, says Lauren Fine, industry analyst for Merrill Lynch, who feels the *Post's* recent Sunday startup will stir additional interest throughout the industry.

The *Schenectady Gazette* is a newspaper already convinced that a Sunday newspaper is necessary.

"Our current plans show we will be publishing the Sunday paper sometime in 1990," says Ernest Grandy, *Gazette* assistant general manager.

"We are already canvassing ads and getting opinions, and the response has been positive."

According to a *Gazette* study, more than 60% of its advertisers expressed an interest in extending their business to a seventh day.

"We have recognized the need . . . however, we needed a larger facility," says Mr. Grandy. A recently built 111,000 square foot plant answers that hold-up.

"We have no projections on ad revenues but assume there will be a healthy increase," he says. "The idea is something we have wanted to do since 1980—and it's still in its formative stages. We feel the survey, though incomplete, will help us along the way."

For the *Bangor Daily News*, the startup issue is colored by the state's blue laws, which affect most major businesses. If Maine's blue laws were changed, says Rick Warren, publisher of the *Bangor Daily News*, "we'd be starting a Sunday edition as quickly as we could."

Starting a Sunday paper for a suburban daily is a major financial decision for the *Patriot Ledger*.

"We do look at it from time to time, do research every two or three years and try to determine if it's for us. Our advertisers and readers indicate that they like the paper as it is," says Richard Allen, general manager.

The question of an additional project and added costs are major issues. "It could take from one to five years to go into the black. But, it is not a dead issue."

Ronald S. Godwin, senior VP at the *Washington Times*, worries about the cost of adding a Sunday edition.

However, "We are much closer today to feeling that the benefits would balance the costs than they would have yesterday," Mr. Godwin says. "We are one or two years away from a startup."

Sunday papers are not always on order, says Ms. Fine. "I am not convinced that people are saying, 'Why didn't the *Post* go Sunday sooner?' I think people [in the industry] are saying, that's interesting, let's see what happens." □

"[The 'Washington Times' is] much closer today to feeling that the benefits would balance the costs than they would have yesterday. We are one or two years away from a startup."

Ronaid S. Godwin
Washington Times

Jill L. Sherer is a Chicago-based free-lance writer.

The four-fathers of Sunday holdouts

Review growth leading to possible seventh day edition

Newspaper	Frequency	Circulation 1988	Circulation 1987	Circulation 1986	Linage 1988	Linage 1987	Linage 1986
Quincy, Mass. Patriot Ledger	daily	90,951	90,865	89,153	1,581,217	1,631,074	1,576,396
	Saturday	95,452	95,540	92,837			
Bangor Maine Daily News	daily	77,795	85,000	78,716	887,809	825,183	755,019
	weekend	93,674	97,200	92,131			
Schenectady Gazette	daily	71,470	71,155	72,120	1,068,811	1,055,911	1,055,788
Washington Times	daily	104,890	91,508	88,571	582,975	482,556	42,640

Sources: Circulation in 1988 from Gale Directory of Publications; in 1987 from newspaper reports; in 1986 from Audit Bureau of Circulations. All linage is from newspaper reports and does not include inserts.

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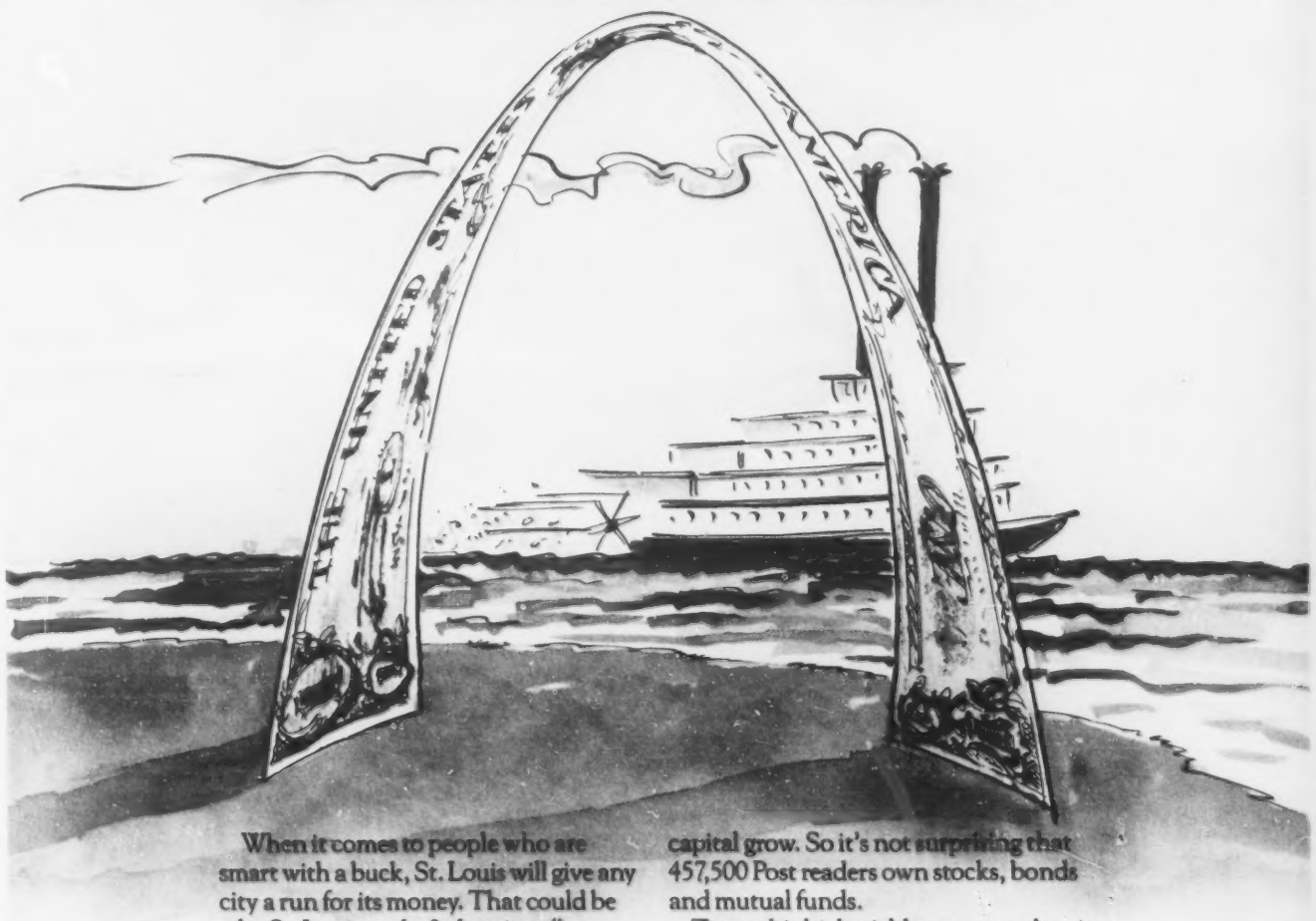

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Kobs, Bayer Bess link up

Unit divides creative, consulting

By IRA TEINOWITZ
and JULIE LIESSE ERICKSON

CHICAGO—Jim Kobs' new direct-marketing agency may be the harbinger of future specialty divisions under the wing of Bayer Bess Vanderwarker.

Kobs, Gregory & Passavant opens April 3 as an affiliate of Bayer Bess, one of the Midwest's fastest-growing shops. Bayer Bess has an equity stake in the new agency, which will share its clients and office space.

Both Mr. Kobs and the principals of Bayer Bess (spun off from Saatchi's Backer Spielvogel Bates) share a desire to remain independent agencies.

"We're both trying to be quality, medium-size agencies small enough to have principals involved directly with the clients," said Mr. Kobs, 50, who will be chairman-ceo of the new shop.

Those goals may lead Bayer Bess into other such affiliations. The agency late last year opened Studio City here, an in-house production division, and President Ron Bess said Bayer Bess also is looking at a similar arrangement to handle promotional marketing.

For his part, Mr. Kobs hopes the setup will give him a chance to prove that direct marketing can be efficient, effective and independent without coming from a boutique shop.

J. Kobs

R. Bess

The new agency will be unlike any other because account management won't necessarily be a normal function of client contact, he said.

Instead, the shop will offer a consulting service and a creative service, with clients able to buy either service or both, depending on their needs.

"Creative costs are getting out of sight," Mr. Kobs said. "At the same time, package-goods companies are getting more sophisticated."

Companies that know their strategies can buy creative for tactics, while those who want strategies can buy the consulting service, he said.

Mr. Kobs co-founded Kobs & Brady in 1978 and built it into one of the world's largest direct-marketing agencies before selling it to Ted Bates Worldwide in March 1986.

Kobs & Brady subsequently became a part of Saatchi & Saatchi Co., after the British agency's May 1986 purchase of Bates, and was renamed Kobs & Draft last April. Mr. Kobs resigned as Kobs & Draft vice chairman in September.

Kobs, Gregory & Passavant will open three days after the expiration of Mr. Kobs' non-compete clause with his old company.

Joining Mr. Kobs at the new agency will be Pierre Passavant, the agency's president-chief operating officer, and William Gregory, exec VP-chief creative officer.

Mr. Passavant is a former senior VP of Wunderman Worldwide, New York, the nation's largest direct-marketing agency.

Mr. Gregory was exec VP-director of creative services at Kobs & Brady from 1978 to 1986.

He most recently was exec VP of Zivi, Kopelman & Associates, a direct-marketing shop here.

Mr. Kobs said the new agency will open with 10 employees, including the executives. He also hopes to open with a few clients, which will include the Direct Marketing Association and at least one of Bayer Bess' clients: St. Paul Federal Bank.

Direct-marketing services will be available to all Bayer Bess clients, including Quaker Oats Co., Helene Curtis Industries, Ameritech and Kemper Property & Casualty Insurance Co.

In announcing the new agency, Mr. Kobs also offered an explanation of his sudden departure last year from Kobs & Draft.

Mr. Kobs said Saatchi had asked that he take over the international division of Kobs & Draft, but instead he offered to buy back the agency's office here, a move approved by Backer Spielvogel Bates but rejected by Saatchi.

After his departure, Mr. Kobs formed IBJ Consulting. The acronym stands for In Between Jobs.#

Cost of TV spot pegged at $145,600

By GARY LEVIN

NEW YORK—Advertisers spent an average $145,600 in 1987 to produce a TV spot, and, not surprisingly, soft-drink and fast-food commercials cost more than those for package goods.

These were among the findings of a long-awaited study disclosed last week by the American Association of Advertising Agencies' Committee on Broadcast Production.

The committee obtained data from 22 major agencies on 2,402 spots produced during 1987. A similar study for 1988 costs is now being compiled for July release. Cost studies for 1989 and future years are expected in the second quarter of each year.

The study is designed to lay the groundwork for standardizing comprehensive measurements of production, editing, talent and music costs.

"For a number of years in this atmosphere of escalating production costs, a number of people have done studies," said George Bragg, exec VP-director of broadcast production at Lintas:New York and chairman of the Four A's committee. "But if you ask different people different questions and put in different criteria, the results aren't comparable."

Of the total sample, 1,646 spots—or 68.5%—were 30 seconds long, while 452 (18.8%) were 15 seconds and 134 (5.6%) 60 seconds. The others were of various lengths.

The fast-food restaurants, beer, soft drinks and snacks category proved the most expensive. That was expected, given the high talent and production costs for splashy campaigns from major advertisers such as Coca-Cola USA, Pepsi-Cola Co. and McDonald's Corp.

The average spot produced for national advertisers in that category cost $241,900, a figure that dropped to $229,800 when regional and local advertisers were included.

Toy and recreational advertising was the least expensive to produce: The 62 local, regional and national spots in that category cost an average of $117,500 to produce.

Among exclusively national advertisers, the lowest-cost category was package goods at an average $119,500 *(see chart for complete breakdown of commercial costs by product category)*.

Among other significant findings:

- The average cost of a commercial for a national advertiser was $156,600, or 7.6% higher than the overall norm. A spot for a regional advertiser cost an average $102,200, or 29.8% less than the total average of $145,600, while a spot for a local advertiser cost $56,900, 60.9% below the total average.
- Roughly 65% of all spots in the sample were produced at or below the average costs, so the most expensive 35% of the spots cost enough to disproportionately skew the sample upward.
- The net cost for an average spot payable to a production company based in New York or Los Angeles was $105,800. But the average cost from production companies based elsewhere in the U.S. or in Canada was just $53,000, while the average cost from a foreign-based company was $130,200.
- The average studio shoot cost $64,300 a day, or 15.1% less than the average $75,700 spent on a location shoot. But location shoots usually mean longer days, an average 15 hours compared with 11 in the studio, so the total per-hour cost is more similar.
- Almost 48% of spots in the sample were shot exclusively on a set, while 33% were shot only on location. (The remaining 19% combined location and studio shoots.)
- More than 60% of commercials in the sample contained some type of music, adding an average cost of $7,200 per spot.

Roughly 24% of the total sample included original music, 30% had new arrangements of existing music, 2.4% used existing "famous songs" and 5.5% contained "stock" music.

"Famous songs"—used in 57 of the spots—represented the most expensive subcategory, adding an average $19,800 per commercial to the total production cost.#

COMMERCIAL PRODUCTION COSTS

Average commercial costs by product category for TV spots of all lengths produced during 1987.

Product category	All advertisers	National advertisers
Automotive	$166,500	$179,100
Beauty/fashion	148,900	223,800
Consumer services/travel/corp. image	141,800	172,200
Fast-food/beer/soft drinks/snacks	229,800	241,900
Appliance/office/computers/audio-video	166,400	167,800
Package goods	118,800	119,500
Toys & recreation	117,500	122,200
Other products	127,000	153,600

Source: American Association of Advertising Agencies

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British Knights steps up ads

By PAT SLOAN

Athletic-shoe marketer British Knights is hoping its new TV campaign gets off on the right foot.

In fact, "Get off on the right foot" is the theme of the campaign that breaks this month from Chalk & Partners, New York.

The theme will also be used in local promotions dealing with drug use, staying in school and other issues.

The marketer this year is hiking its ad budget 150% to $7.5 million.

British Knights, which was founded just three years ago, had a banner 1988. Sales jumped 186% to $88 million.

"In the past we have been more of a sales-oriented company. Our challenge in 1989 is to get more sophisticated in marketing," said Larry Schwartz, VP-sales and marketing.

With shoes priced at $55 to $80, British Knights competes with the much larger Nike and Reebok International in the $4.3 million athletic-shoe market.

But instead of focusing on all age groups like the larger marketers do, British Knights targets consumers six-to-18 years old, who buy the most shoes and are "open to trying new brands," Mr. Schwartz said.

The brand is well-known in ethnic markets, agency President Howard Chalk said, and has been "picked up in the last year and a half by suburban kids as well."#

Climbing shop profits may slip in '89

By GARY LEVIN

Major publicly held ad agencies showed modest to encouraging earnings growth in 1988, but a decline in the growth of U.S. ad spending is likely to weaken gains for many companies.

Last week, WPP Group and Omnicom Group released 1988 results that were close to analysts' expectations of both holding companies.

As previously reported, Ogilvy Group's earnings exceeded forecasts, though its profit margins remained weaker than similar companies' (AA, Feb. 6). Its $7.5 million headquarters move, set for May 1, will further depress earnings growth.

Interpublic continued its strong financial performance, while Foote, Cone & Belding Communications reported lower earnings on record-high revenues, due mainly to $2.8 million in start-up costs for its international joint venture with France's Publicis.

For many agencies, U.S. revenues fell in the fourth quarter and for the year, while international revenues grew substantially.

Forecasts for 1989 put international ad spending growth at about 12%, double that of projected domestic growth. So shops with stronger overseas networks—such as Interpublic—are better poised for the future.

WPP, completing its first full year with J. Walter Thompson Co. under its wing, posted net income of $37.6 million for 1988, a 216.1% gain, on revenues of $974.7 million, up 104.2%. (These figures are converted from the British pound sterling.)

The company said its operating profit margins rose to 9.5% from 7.5% in 1987, on a comparable basis, due to efficiency gains at several units including JWT and the Hill & Knowlton public relations unit.

WPP said JWT alone gained net billings of $422 million, compared with a $120 million net billings loss in 1987. The entire company added net new-business revenues of more than $144 million, capitalized to net billings gains of $960 million.

Omnicom, parent of PBDO Worldwide, DDB Needham Worldwide and smaller agencies, earned $39.2 million for the year, a 12.7% gain, on commission and fee revenues of $881.3 million, up 8.6%.

For the fourth quarter alone, earnings rose just 3%—compared with 8% or more during the rest of the year—to $15.6 million, on revenues of nearly $248 million, a 0.2% dip.

For the year, Omnicom's international revenues rose 13%, outpacing U.S. growth of 6%, but only a third of the agency's total revenues came from outside the U.S.

Incoming Omnicom CEO Bruce Crawford told analysts last week he expects "modest" revenue growth for 1989, and analysts say that factor will likely inhibit margin improvements, too.

Greg Ostroff of Goldman, Sachs & Co. said Omnicom's "lack of a significant and cohesive international network" will hurt revenue growth just as agencies are increasingly reliant on non-U.S. growth to boost their business.

Mr. Crawford hinted his attention will now focus on non-U.S. acquisitions, with the sales of smaller U.S. shops to their managements now complete.#

YEAREND AGENCY EARNINGS

Figures are in millions of dollars for year ending Dec. 31, 1988, except where noted.

Company	1988 revenues	% increase	1988 net income	% chg.
Foote, Cone & Belding	$ 386.1	+12.3	$ 13.7	−19.5
Interpublic	1,191.9	+22.8	60.1	+22.0
Ogilvy Group	838.1	+13.5	33.0	+10.7
Omnicom Group	881.3	+8.6	39.2	+12.7
Saatchi & Saatchi[1]	1,525.7	+11.4	132.9	+7.9
WPP Group[2]	974.7	+104.2	37.6	+216.1

[1]year ended Sept. 30, 1988 [2]1988 results reflect first full year of JWT Group ownership
Source: ADVERTISING AGE

Steiger

(Continued from Page 3)

ized the regimes of Messrs. Miller and Oliver.

Ms. Steiger is "definitely nonpartisan, and since Ronald Reagan caught so much grief for his partisan appointments, that's probably a pretty good thing," said Bob Brinkman, general counsel to the National Newspaper Association.

American Advertising Federation Senior VP Wally Snyder, a 16-year veteran of the FTC staff, was unfamiliar with Ms. Steiger's postal track record. But he said there are distinct advantages to a non-partisan FTC chief.

Gene Del Polito, executive director of the Third Class Mail Association, lauded Ms. Steiger for her job at the Postal Rate Commission.

"She's been outstanding . . . it would be a terrible loss for the PRC," Mr. Del Polito said. "She has a background in education . . . and an affinity for consumer issues. She's the only PRC chairman I've known of to be strongly supported by Democrats and Republicans."

Mr. Del Polito said Ms. Steiger, a graduate of Lawrence University, Appleton, Wis., is intelligent and would be a good bet to mend the FTC's relationship with Congress.

Art Zackler, director of publishing policy development for Time Inc., said Ms. Steiger "came in [to the postal commission] with a positive but modest reputation . . . and has done nothing but enhance it."

He said her congressional hearings "would be a lovefest."

Mr. Zackler said Ms. Steiger could quickly overcome any lack of advertising and consumer protection expertise.

Mr. Snyder agreed. "It seems that at the postal commission she was in a policy role, and I don't feel it's a necessity to have [as FTC chairwoman] a lawyer or an economist," he said.#

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